

**Transcript of Remarks by Senator Kent Conrad (D-ND)  
Co-Chair of Savings and Ownership Caucus  
at Press Conference Announcing the Formation of the Bipartisan Caucus to Explore,  
Debate and Advance Policies to Build Savings and Assets for All Americans  
February 17, 2005**

Opening Statement:

We look at what has happened to the savings rate. It's been declining for over 20 years, and it's been a dramatic decline from just over 11 percent in 1982 to one percent today.

I asked my staff to go do a calculation on how much the federal government is spending to provide incentives for savings. They came back and told me roughly \$120 billion, the total dollars we have of incentives for savings. I asked them how much is individual savings. They came back and reported to me about \$80 billion. What have we got here? We have a problem. We have an enormous disconnect between what we're trying to do and what we're getting accomplished. So, this is a time to redirect our efforts and to try to find a way to more efficiently provide incentives to save.

One of the ideas that was mentioned by Congressman Cooper was opt-out plans at the office. We also did an analysis of the difference between opt-out and opt-in -- dramatic. It is about a three- or four-to-one advantage in terms of participation if you have an opt-out provision, rather than an opt-in provision. That tells us something about the force of inertia. Inertia really is perhaps the most powerful force known to man and woman.

So, we have an opportunity here to make things better. Why does it matter? Well, I would say to you one of the reasons we are now borrowing from all over the world is because we have such a very low rate of savings in this country. And here is the list. We now owe Japan over \$700 billion. We owe China almost \$200 billion. This is the one that always surprises me, South Korea. We now owe South Korea over \$69 billion. Look, we have to do better, and it's absolutely critical that we do.

The other day we were looking at an analysis done by one of the big investment firms on peoples' expectations and matching their expectations of what retirement would be like compared to the assets that they had. And there is a total disconnect between what people are expecting to experience in retirement and the actual assets they have accumulated.

So, this is an important matter for the country to provide better savings, better incentives for savings, and also to encourage an ownership society. We know that makes a difference in the way people behave, and so I look forward to working with this caucus and with others on both sides, with the administration, to try to do a better job of providing those incentives for savings, to provide the means to have an ownership society because it's important to America's economic future.

Questions and Answers:

*(Question regarding the downside of savings as the money saved would not be spent, which when spent helps the economy)*

*Sen. Conrad Answer:*

Very good question. I think it's important to know that all of these things are a balance. Our problem now is not that we have too much savings that is somehow slowing the economy. Our problem, I think most of us would conclude, we've got too little savings.

And the consequences for the long-term are severe. Why? Because in order to have investment, you have to have savings. In order to grow, you have to have investment. And, right at the heart of our American system is the need to have savings so that we have investment, so that we have economic growth for the future.

Obviously, there is a consumption side to this as well. If you are trying to boost an economy that is in recession, we know that getting money into the hands of people who will spend it is going to give the greatest lift to the economy in the short-term. But over time, we know it is also critical that there are savings so there are funds to be invested. If you don't have investment in any country, you don't grow in the long-term. So, all these things are a matter of balance.

*(Question regarding a suggestion by former Treasury Secretary O'Neill that the government set up an account with money for every child at birth)*

*Sen. Conrad Answer:*

I like the concept a lot because it really takes the power of compounding and gets you a longer run at it. That as a financial tool, that's the real power of compounding is to stretch it out over a more extended period. That's really at the heart of what he's talking about. That has great appeal to me.

Let me just say with respect to the question on Social Security and individual accounts, I always thought there was a kernel of a good idea with individual accounts, but it matters a lot how they're financed. I have never been attracted to the idea of financing it with massive borrowing. I don't think that's an attractive way to go.

You know, we may be at a point very soon, we've been having hearings the last two days in the Budget Committee where we see the true dimensions of the challenges facing the country. Not only the precipitous drop in the savings rate, but we have dramatic shortfalls, not just in Social Security, but a far more severe one in Medicare. In fact, testimony has been over the last two days that the shortfall in Medicare is eight times the shortfall in Social Security. And we have a very serious matter developing in Medicaid. I am told that many of the states now are spending more in Medicaid than they're spending in elementary and secondary education.

You know, all of these things really fit together, and I think in many ways the best thing we could do is ask everybody to bring their best ideas. I was saying to the Chairman of the

Budget Committee this morning, one of the great frustrations I have is in this town we divide up on two teams. We have an R next to our name or a D next to our name. And there's sort of a disincentive to work with each other because in some sense you're helping the other team.

You know, I hope at some time we find a way to be Team America because our country is facing really tough challenges. And I would like nothing better than to have a circumstance set up where everybody could bring their best idea and we try to come up with a plan that is then advanced as a plan to strengthen the country. And not have an R next to it, not have a D next to it, but have an A for America next to it, because I think that's how people would like to see us.

And the harsh reality is we're headed for a cliff here. This stuff doesn't add up, what we're doing in the country does not add up. We have an opportunity to do something significant. That would be a great legacy for R's and D's.